

February 11, 2011

THE FIRST NATIONAL BANK

PO BOX 160 LE CENTER, MN 56057
Phone: 507-357-2273 Fax: 507-357-6687

PO BOX 88 KILKENNY, MN 56052
Phone/Fax: 507-595-2273

Jennifer J. Johnson
Secretary
Federal Reserve Board of Governors
20th Street & Constitution Ave. NW
Washington DC 20551

As a bank President of a \$75MM community bank in rural Minnesota and industry advocate, I write to you with a simple message:

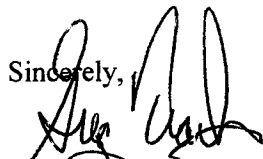
Price controls by the Federal Reserve on debit interchange fees will harm small community banks and ultimately the customers they serve. I urge you to take prompt action to abandon or at least delay this misguided and harmful proposed rule until a detailed and thoughtful analysis of the impact can be completed.

It is a sad fact that this rule, called for by the Dodd-Frank Act, will have adverse repercussions on more Americans than any other provision of that law by directly affecting the debit cards that hundreds of millions of consumers use every day, and yet, not a single hearing was held in Congress to discuss its impact. In addition, this \$16 billion transfer of wealth from every card-issuing bank to merchants has never even been studied by a federal regulator.

I also want to make clear my sincere belief that the so-called "carve out" for small banks will not work. Whether by virtue of the fact that the legislation gives nearly complete control of a debit card transaction to merchants, or the reality that market forces will drive pricing for all banks in line with the price-controlled rates given to the mega banks, I can almost guarantee that consumers everywhere will experience painful changes.

Debit cards are a way of life for most consumers. They are not a luxury item. Community banks need to offer debit cards, because it's what the consumers expect from their financial institution. This proposal will make that harder, and will increase costs for consumers. Please stop or delay this rule and give regulators and Congress a chance to really examine what the significant consequences of price fixing will have on consumers and community banks.

Sincerely,


Gregory G. Traxler
President

